# AS-28 Impairement of Assests

and AS-36

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- objective :- The procedures that an enterprise applies to ensure that its assests are carried at not more than their recoverable amount.

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|---|---|
| → Carrying amt is Less ~~greater~~ than or equal to (<=) Recoverable amt<br>↓<br>$\boxed{\text{n/o Impairment}}$ | Carrying amount is greater than recoverable amt.<br>↓<br>$\boxed{\text{Assest is Impaired}}$<br>• Impairment loss = Carrying amt − Recov amt<br>CA − RA |

↳ Recoverable amount is higher of Net selling price & value in use (R.A = ↑ NSP or Value in use)

→ • Impairement gain is to be ignored.

| → Journal entries | In B/S | |
|---|---|---|
| (i) Impairement loss a/c Dr | fixed Assest | |
| To Assest a/c | Assest − Depreciation | xxx |
| (ii) Profit & loss a/c Dr | − Impairement loss | xxx |
| To Impairement loss a/c | | xxx |

→ As per AS-28 "Impairement of Assests", Impairement loss is not be recognised for a given assest if it is cash generating unit:

CGU :- It refers to the smallest Identifiable group of assets that generates cashflows from continuing use of assets & are largely independent of CF's of other assets / CGU.

→ In case of impairement loss on a revalued assest first adjust impairement loss to the extent revaluation done (upward)

• Then remaining impairement loss change to p&L a/c.

→ Impairement loss in case of identifiable intangible assests (intangible)

• first to be adjusted with goodwill and then to assests

Journal entries:- Impairment loss a/c Dr | profit & loss a/c Dr
To Goodwill a/c | To impairement loss a/c
To Assest a/c |

→ If recoverable amount of an individual assest cannot be determined, then this assest is grouped in related cash generating unit and then determine whether related cash generating unit is impaired or not, no impairement loss is recognised for individual assest if related cash generating unit is not impaired even if net selling price of an individual assest is less than carrying amt.

→ AS-28 states that when the amount estimated for an impairment loss is greater than its carrying amount, an enterprise should recognise a liability if and only if required by another accounting standard as per AS-29.